

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Richland	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date 7/25/07	Date Audit Report Submitted to State August 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

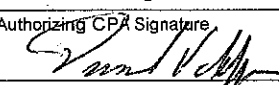
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 communication	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	Zip 49002
		License Number 1101020724	

Township of Richland
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Notes to financial statements	10 - 16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	17 - 18
Fire Fund	19
Water Improvement Fund	20
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	21
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	22

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Richland, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Richland, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Richland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Richland, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Richland, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Richland, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

July 25, 2007

BASIC FINANCIAL STATEMENTS

Township of Richland
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,475,408
Receivables	<u>161,792</u>
Total current assets	<u>1,637,200</u>
Noncurrent assets:	
Receivables	62,000
Capital assets not being depreciated - land	358,242
Capital assets, net of accumulated depreciation	<u>2,142,950</u>
Total noncurrent assets	<u>2,563,192</u>
Total assets	<u>4,200,392</u>
LIABILITIES	
Current liabilities:	
Payables	40,931
Contract payable	<u>33,589</u>
Total current liabilities	74,520
Noncurrent liabilities - contract payable	<u>61,634</u>
Total liabilities	<u>136,154</u>
NET ASSETS	
Invested in capital assets	2,501,192
Restricted for:	
Public safety	411,568
Capital improvements	271,420
Unrestricted	<u>880,058</u>
Total net assets	<u>\$ 4,064,238</u>

See notes to financial statements

Township of Richland
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program revenues</u>			<u>Net (expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>revenues and</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>	<u>changes in</u>
Functions/Programs			contributions	contributions	Governmental
Governmental activities:					activities
Legislative	\$ 2,960	\$ -	\$ -	\$ -	\$ (2,960)
General government	421,684	98,561	-	-	(323,123)
Public safety	315,513	85,743	1,911	5,648	(222,211)
Public works	58,003	20,147	4,817	-	(33,039)
Community and economic development	123,303	6,800	-	-	(116,503)
Culture and recreation	134,179	10,756	-	-	(123,423)
Interest on long-term debt	<u>10,787</u>	<u>-</u>	<u>-</u>	<u>10,787</u>	<u>-</u>
Total governmental activities	<u>\$ 1,066,429</u>	<u>\$ 222,007</u>	<u>\$ 6,728</u>	<u>\$ 16,435</u>	<u>(821,259)</u>
General revenues:					
State shared revenue					401,234
Property taxes					271,449
Unrestricted interest income					53,159
Cable franchise fees					<u>43,382</u>
Total general revenues					<u>769,224</u>
Change in net assets					(52,035)
Net assets - beginning					<u>4,116,273</u>
Net assets - ending					<u>\$ 4,064,238</u>

See notes to financial statements

Township of Richland
BALANCE SHEET - governmental funds

March 31, 2007

	Major funds			
	General	Fire	Water Improvement	Sewer Debt Service
ASSETS				
Cash	\$ 664,580	\$ 410,468	\$ 273,445	\$ -
Receivables	111,444	1,100	2,800	105,748
Due from other funds	5,950	-	-	-
Total assets	\$ 781,974	\$ 411,568	\$ 276,245	\$ 105,748
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 30,406	\$ -	\$ -	\$ 10,525
Due to other funds	-	-	4,825	-
Deferred revenue	4,600	1,100	2,800	95,223
Total liabilities	35,006	1,100	7,625	105,748
Fund balances:				
Reserved for capital improvements	-	-	268,620	-
Unreserved, undesignated	746,968	410,468	-	-
Unreserved, undesignated - reported in nonmajor special revenue funds	-	-	-	-
Total fund balances	746,968	410,468	268,620	-
Total liabilities and fund balances	\$ 781,974	\$ 411,568	\$ 276,245	\$ 105,748

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Certain receivables are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 126,915	\$ 1,475,408
2,700	223,792
<u>-</u>	<u>5,950</u>
<u>\$ 129,615</u>	<u>\$ 1,705,150</u>

\$ -	\$ 40,931
1,125	5,950
<u>1,500</u>	<u>105,223</u>
<u>2,625</u>	<u>152,104</u>

-	268,620
-	1,157,436
<u>126,990</u>	<u>126,990</u>
<u>126,990</u>	<u>1,553,046</u>

<u>\$ 129,615</u>	<u>\$ 1,705,150</u>
	\$ 1,553,046

2,501,192

105,223

(95,223)

\$ 4,064,238

See notes to financial statements

Township of Richland**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	Major funds			
	General	Fire	Water Improvement	Sewer Debt Service
REVENUES				
Property taxes	\$ 358,127	\$ -	\$ -	\$ -
Licenses and permits	112,570	-	-	-
Federal grants	-	5,648	-	-
State grants	406,051	-	-	-
Charges for services	38,780	-	9,174	-
Interest and rentals	17,807	19,779	5,753	-
Other	13,189	-	-	49,587
Total revenues	<u>946,524</u>	<u>25,427</u>	<u>14,927</u>	<u>49,587</u>
EXPENDITURES				
Legislative	2,960	-	-	-
General government	462,625	-	-	-
Public safety	179,093	-	-	-
Public works	104,669	-	10,516	-
Community and economic development	123,303	-	-	-
Culture and recreation	110,745	-	-	-
Capital outlay	27,576	42,666	-	-
Debt service:				
Principal	-	-	-	38,800
Interest	-	-	-	10,787
Total expenditures	<u>1,010,971</u>	<u>42,666</u>	<u>10,516</u>	<u>49,587</u>
NET CHANGES IN FUND BALANCES	(64,447)	(17,239)	4,411	-
FUND BALANCES - BEGINNING	<u>811,415</u>	<u>427,707</u>	<u>264,209</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 746,968</u>	<u>\$ 410,468</u>	<u>\$ 268,620</u>	<u>\$ -</u>

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 358,127
1,911	114,481
-	5,648
-	406,051
-	47,954
4,818	48,157
-	62,776
<u>6,729</u>	<u>1,043,194</u>
-	2,960
-	462,625
194	179,287
-	115,185
-	123,303
-	110,745
-	70,242
-	38,800
-	10,787
<u>194</u>	<u>1,113,934</u>
6,535	(70,740)
<u>120,455</u>	<u>1,623,786</u>
<u>\$ 126,990</u>	<u>\$ 1,553,046</u>

See notes to financial statements

Township of Richland
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)
Year ended March 31, 2007

Net change in fund balances (page 8) - total governmental funds \$ (70,740)

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	190,751
Deduct - depreciation provision	(182,046)

Because some receivables will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount in the current period. (28,800)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 38,800

Change in net assets of *governmental activities* \$ (52,035)

Township of Richland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Richland, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

Township of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used to finance capital costs of the Township's fire department. The equity of the fund consists of prior year tax revenues. A separate levy is no longer assessed by the Township.

The Water Improvement Fund accounts for water system improvements within the Township that are financed through connection fees.

The Sewer Debt Service Fund accounts for the funding and payment of principal and interest on debt associated with sewer system improvements within the Township.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

Township of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (Continued):

iv) *Capital assets* - Capital assets, which include property, equipment, and infrastructure (e.g., shared roads costs and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	3 - 10 years
Vehicles	20 - 40 years
Shared road costs	7 - 20 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variance:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 71,050	\$ 123,303	\$ 52,253

Township of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$1,475,408 as is reported in the statement of net assets.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$936,159 of the Township's bank balances of \$1,592, 821 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Interest</i>	<i>Accounts</i>	<i>Total</i>
General	\$ 14,259	\$ -	\$ 82,927	\$ 4,600	\$ 9,658	\$ 111,444
Fire	-	-	-	1,100	-	1,100
Water Improvement	-	-	-	2,800	-	2,800
Sewer Debt Service	-	105,748	-	-	-	105,748
Nonmajor funds	-	-	-	2,700	-	2,700
Totals	<u>\$ 14,259</u>	<u>\$ 105,748</u>	<u>\$ 82,927</u>	<u>\$ 11,200</u>	<u>\$ 9,658</u>	<u>\$ 223,792</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 62,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,000</u>

All receivables are considered fully collectible.

Township of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 358,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,242</u>
Capital assets being depreciated:				
Land improvements	437,854	77,995	-	515,849
Buildings	1,164,744	-	-	1,164,744
Fire equipment and vehicles	1,117,512	43,117	-	1,160,629
Office equipment	72,263	-	-	72,263
Shared road costs	<u>88,375</u>	<u>69,639</u>	<u>-</u>	<u>158,014</u>
Subtotal	<u>2,880,748</u>	<u>190,751</u>	<u>-</u>	<u>3,071,499</u>
Less accumulated depreciation for:				
Land improvements	(69,935)	(24,464)	-	(94,399)
Buildings	(214,591)	(26,149)	-	(240,740)
Fire equipment and vehicles	(391,305)	(115,322)	-	(506,627)
Office equipment	(54,772)	(3,654)	-	(58,426)
Shared road costs	<u>(15,900)</u>	<u>(12,457)</u>	<u>-</u>	<u>(28,357)</u>
Subtotal	<u>(746,503)</u>	<u>(182,046)</u>	<u>-</u>	<u>(928,549)</u>
Total capital assets being depreciated, net	<u>2,134,245</u>	<u>8,705</u>	<u>-</u>	<u>2,142,950</u>
Governmental activities capital assets, net	<u>\$ 2,492,487</u>	<u>\$ 8,705</u>	<u>\$ -</u>	<u>\$ 2,501,192</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 20,102
Public safety	128,963
Public works	12,457
Culture and recreation	<u>20,524</u>
Total governmental activities	<u>\$ 182,046</u>

Township of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at March 31, 2007, are comprised of the following issue:

Special assessment debt:

The Township has a contractual agreement to remit to the Gull Lake Sewer and Water Authority (the Authority) all principal and interest collections arising from special assessments levied on properties served by the Authority. In the event that the Authority is unable to meet its debt service requirements, an assessment may be made against the Township. The Township has pledged its full faith and credit for the payment of its share of any such deficiency.

Sewer District 90-1	\$ 84,133
Sewer District 93-1	<u>11,090</u>
	<u>\$ 95,223</u>

Noncurrent liability activity for the year ended March 31, 2007, is as follows:

Beginning	\$ 134,023
Retirements	<u>(38,800)</u>
Ending	<u>\$ 95,223</u>
Due within one year	<u>\$ 33,589</u>

Debt service requirements at March 31, 2007, are as follows:

<u>Year ended March 31:</u>	<u>Principal</u>	<u>Interest</u>
2008	33,589	6,666
2009	33,589	4,314
2010	<u>28,045</u>	<u>1,963</u>
Totals	<u>\$ 95,223</u>	<u>\$ 12,943</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

Payables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 30,406	\$ -	\$ 30,406
Sewer Debt Service	<u>-</u>	<u>10,525</u>	<u>10,525</u>
Totals	<u>\$ 30,406</u>	<u>\$ 10,525</u>	<u>\$ 40,931</u>

Township of Richland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

At March 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	<u>\$ 5,950</u>	Water Improvement	\$ 4,825
		Nonmajor funds	<u>1,125</u>
		Total	<u>\$ 5,950</u>

The interfund receivables of the General Fund represent temporary cash flow assistance.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all its elected officials through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Officials are eligible to participate from the date they are elected to office. The Township annually contributes 12% of the official's base salary or \$100, whichever is greater, and the contribution is fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for management of plan assets.

The Township made the required contributions of \$16,309 during the year ended March 31, 2007.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, follows:

Revenues	\$ 66,832
Expenses	<u>68,708</u>
Deficiency of revenues over expenses	<u>\$ (1,876)</u>

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Richland
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	Original budget	Amended budget	Actual	Variance favorable (unfavorable)
REVENUES				
Property taxes	\$ 342,650	\$ 263,650	\$ 358,127	\$ 94,477
Licenses and permits	78,310	133,510	112,570	(20,940)
State grants	354,700	365,000	406,051	41,051
Charges for services	22,600	23,600	38,780	15,180
Interest and rentals	8,200	7,400	17,807	10,407
Other	2,350	2,350	13,189	10,839
Total revenues	808,810	795,510	946,524	151,014
EXPENDITURES				
Legislative	5,400	5,400	2,960	2,440
General government:				
Supervisor	66,200	56,300	53,546	2,754
Election	16,100	10,450	11,068	(618)
Assessor	85,050	70,200	60,881	9,319
Clerk	58,700	58,150	56,643	1,507
Board of review	3,000	1,775	590	1,185
Treasurer	58,600	56,800	55,531	1,269
Hall and grounds	79,275	124,325	102,964	21,361
Cemetery	42,750	41,500	35,399	6,101
Other	181,450	177,050	86,003	91,047
Total general government	591,125	596,550	462,625	133,925
Public safety:				
Construction code inspections	75,250	150,250	68,708	81,542
Fire protection	116,350	108,050	109,385	(1,335)
911 service	3,000	3,000	1,000	2,000
Total public safety	194,600	261,300	179,093	82,207
Public works:				
Road construction and maintenance	112,300	151,750	80,157	71,593
Street lighting	21,000	17,500	19,923	(2,423)
Recycling and waste collection	7,500	7,500	4,589	2,911
Total public works	140,800	176,750	104,669	72,081

Township of Richland
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 70,550	\$ 71,050	\$ 123,303	\$ (52,253)
Culture and recreation:				
Parks	85,650	81,400	67,363	14,037
Cable television	<u>35,000</u>	<u>35,000</u>	<u>43,382</u>	<u>(8,382)</u>
Total culture and recreation	<u>120,650</u>	<u>116,400</u>	<u>110,745</u>	<u>5,655</u>
Capital outlay	<u>29,000</u>	<u>33,000</u>	<u>27,576</u>	<u>5,424</u>
Total expenditures	<u>1,152,125</u>	<u>1,260,450</u>	<u>1,010,971</u>	<u>249,479</u>
NET CHANGES IN FUND BALANCES	(343,315)	(464,940)	(64,447)	400,493
FUND BALANCES - BEGINNING	<u>811,415</u>	<u>811,415</u>	<u>811,415</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 468,100</u>	<u>\$ 346,475</u>	<u>\$ 746,968</u>	<u>\$ 400,493</u>

Township of Richland
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grant	\$ -	\$ -	\$ 5,648	\$ 5,648
Interest	<u>10,000</u>	<u>10,000</u>	<u>19,779</u>	<u>9,779</u>
Total revenues	10,000	10,000	25,427	15,427
EXPENDITURES				
Capital outlay	<u>16,100</u>	<u>56,100</u>	<u>42,666</u>	<u>13,434</u>
NET CHANGES IN FUND BALANCES	(6,100)	(46,100)	(17,239)	28,861
FUND BALANCES - BEGINNING	<u>427,707</u>	<u>427,707</u>	<u>427,707</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 421,607</u>	<u>\$ 381,607</u>	<u>\$ 410,468</u>	<u>\$ 28,861</u>

Township of Richland
BUDGETARY COMPARISON SCHEDULE - Water Improvement Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 1,000	\$ 1,000	\$ 9,174	\$ 8,174
Interest	<u>2,500</u>	<u>2,000</u>	<u>5,753</u>	<u>3,753</u>
Total revenues	3,500	3,000	14,927	11,927
EXPENDITURES				
Public works	<u>265,000</u>	<u>265,000</u>	<u>10,516</u>	<u>254,484</u>
NET CHANGES IN FUND BALANCES	(261,500)	(262,000)	4,411	266,411
FUND BALANCES - BEGINNING	<u>264,209</u>	<u>264,209</u>	<u>264,209</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,709</u>	<u>\$ 2,209</u>	<u>\$ 268,620</u>	<u>\$ 266,411</u>

SUPPLEMENTARY INFORMATION

Township of Richland
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2007

	<u>Liquor</u>	<u>Public Improvement</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
Cash	\$ 4,796	\$ 122,119	\$ 126,915
Interest receivable	<u>-</u>	<u>2,700</u>	<u>2,700</u>
Total assets	<u>\$ 4,796</u>	<u>\$ 124,819</u>	<u>\$ 129,615</u>
LIABILITIES AND FUND BALANCES			
Liabilities :			
Due to other funds	\$ -	\$ 1,125	\$ 1,125
Deferred revenue	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total liabilities	-	2,625	2,625
Fund balances - unreserved, undesignated	<u>4,796</u>	<u>122,194</u>	<u>126,990</u>
Total liabilities and fund balances	<u>\$ 4,796</u>	<u>\$ 124,819</u>	<u>\$ 129,615</u>

Township of Richland**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	<u>Liquor</u>	<u>Public Improvement</u>	<u>Total nonmajor governmental funds</u>
REVENUES			
Licenses and permits	\$ 1,911	\$ -	\$ 1,911
Interest	<u>-</u>	<u>4,818</u>	<u>4,818</u>
Total revenues	1,911	4,818	6,729
EXPENDITURES			
Public safety	<u>194</u>	<u>-</u>	<u>194</u>
NET CHANGES IN FUND BALANCES	1,717	4,818	6,535
FUND BALANCES - BEGINNING	<u>3,079</u>	<u>117,376</u>	<u>120,455</u>
FUND BALANCES - ENDING	<u>\$ 4,796</u>	<u>\$ 122,194</u>	<u>\$ 126,990</u>

**Members of the Township Board
Township of Richland, Michigan**

In planning and performing our audit of the financial statements of the Township of Richland as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Richland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Richland and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 25, 2007